

NOV 18 1957

SUBJECT: Contract A-101, Increased Costs of 14 Channel and 3 Channel
Read Out Equipment

Dear Dan:

Reference is made to R-W letter CMCC Doc. No. 151X5.754, dated
4 October 1957, your control number, 20206.

Review of the referenced letter leaves us in a state of mild
confusion, as to the amount of funds chargeable to F.O.G. It appears
that this letter covers a "second round" of increased or additional
costs for development and production of Read Out Equipment for
Systems I, III and IV. Review of previous amendments to the contract
indicate, as contractor states, that a portion of the increase has been
funded. However, we cannot determine if part of this original funding
was paid for by F.O.G.

I feel it best that we restate our understanding of how F.O.G.
funds are to be obligated under the subject contract.

System I and III - F.O.G. to pay for all equipments delivered to
them with no participation in development costs. Any increase in
production costs or rework costs should be amortized over the respective
items F.O.G. has on order.

System IV - F.O.G. to pay for all equipments delivered to them with
50% participation in development costs. Increase in production or rework
costs should be treated as indicated above.

System I, III and IV Read Out - F.O.G. to pay for all items
delivered to them with no participation in development costs. Other
costs to be treated as shown for System I and III.

If the above agrees with your concept of our joint policy, it
is requested that you proceed with obligation of F.O.G. funds as necessary
to cover the increased costs chargeable to us by referenced letter.
However, prior to forwarding us the next Proposal Contract Sheets
similar to the one dated 24 July 1957, your control number 17241, please
indicate thereon after all items of cost which are chargeable to us,
the letters "F.O.G." and the amount of difference from the total shown.
This will aid us in understanding this contract and in controlling the
total fund allotment.

Sincerely,

25X1A

